

SUBSTANCE ABUSE SERVICES CENTER
FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
AND
INDEPENDENT AUDITORS' REPORTS

SUBSTANCE ABUSE SERVICES CENTER
JUNE 30, 2012 AND 2011

Table of Contents

	<u>Page</u>
Board of Directors	3
Independent Auditors' Report	4 - 5
Financial Statements:	
Statements of Financial Position	6
Statements of Activities	7
Statements of Functional Expenses	8 - 9
Statements of Cash Flows	10 - 11
Notes to Financial Statements	12 - 18
Supplementary Information:	
Schedule I - Schedule of Expenditures of Federal Awards	19
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	20 - 21

SUBSTANCE ABUSE SERVICES CENTER

Board of Directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dan Avenarius	President	June 2013
Steve Eastvedt	Vice-President	June 2015
Jack Young	Secretary	June 2013
Leo Hickie III	Treasurer	June 2013
Clifford Bunting	Member	June 2013
Lou Fuller	Member	June 2013
Gregory Egan	Member	June 2015
Sheila Freiburger	Member	June 2013
Peggy Petlon	Member	June 2013
Dorothy Schlueter	Member	June 2013
Traci Suarez	Member	June 2014
Richard Blasen	Member	June 2014
Sue Davison	At-Large	June 2015
Valerie Bell	At-Large	June 2015
Diane Thomas	Executive Director	Indefinite

Telephone 563/556-3392
FAX 563/556-3443

Jim Kircher & Associates, P.C.
Certified Public Accountants

815 Century Drive
Dubuque, Iowa 52002

Independent Auditors' Report

To the Board of Directors
Substance Abuse Services Center

We have audited the accompanying statements of financial position of Substance Abuse Services Center (a nonprofit organization), as of June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Substance Abuse Services Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Substance Abuse Services Center as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our

report dated September 14, 2012 on our consideration of Substance Abuse Services Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information included in the Schedule of Expenditures of Federal Awards on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

JIM KIRCHER & ASSOCIATES, P.C.

Jim Kircher & Associates, P.C.

Dubuque, Iowa
September 14, 2012

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

Assets	2012	2011
Current Assets:		
Cash	\$ 587,959	\$ 570,806
Certificate of Deposit	100,359	-0-
Accounts receivable, less allowance for doubtful accounts - 2012 \$8,405 and 2011 \$6,136	22,480	19,555
Grants receivable	126,116	80,574
Prepaid expenses	39,381	37,232
Total Current Assets	<u>\$ 876,295</u>	<u>\$ 708,167</u>
Property and Equipment:		
Leasehold improvements	\$ 326,329	\$ 324,594
Office furniture and equipment	185,447	165,740
Accumulated depreciation and amortization	(208,029)	(172,076)
Net Property and Equipment	<u>\$ 303,747</u>	<u>\$ 318,258</u>
Total Assets	<u><u>\$ 1,180,042</u></u>	<u><u>\$ 1,026,425</u></u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 35,448	\$ 4,593
Accrued salaries	8,847	8,457
Compensated absences	41,645	36,610
Total Current Liabilities	<u>\$ 85,940</u>	<u>\$ 49,660</u>
Net Assets:		
Net Assets - Undesignated	\$ 1,054,566	\$ 938,413
Net Assets - Board Designated for Suta Claims	39,536	38,352
Total Net Assets	<u>\$ 1,094,102</u>	<u>\$ 976,765</u>
Total Liabilities and Net Assets	<u><u>\$ 1,180,042</u></u>	<u><u>\$ 1,026,425</u></u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>PUBLIC SUPPORT AND REVENUE</u>		
<u>Public Support:</u>		
Iowa Department of Public Health:		
Managed Care -State Funds	\$ 498,876	\$ 510,689
Managed Care-Federal Funds	279,158	253,815
Access To Recovery	79,774	42,484
United Way	24,993	24,995
Cities	14,738	14,813
Schools	18,147	17,875
Drug court	50,700	49,000
Gambling Grants	362,902	331,852
OWI III Contract	23,000	21,282
Dubuque Racing Association Grant	4,800	4,948
U.S. Probation Office - Probation Service	5,321	15,163
Total Public Support	<u>\$ 1,362,409</u>	<u>\$ 1,286,916</u>
<u>Revenue:</u>		
Client Fees	\$ 191,298	\$ 209,301
Third Party Pay	290,626	217,255
Interest on Investments	2,315	4,075
Miscellaneous	708	4,192
Total Revenue	<u>\$ 484,947</u>	<u>\$ 434,823</u>
Total Public Support and Revenue	<u>\$ 1,847,356</u>	<u>\$ 1,721,739</u>
<u>EXPENSES</u>		
Program Services	\$ 1,504,723	\$ 1,456,193
Support Services	225,296	236,890
Total Expenses	<u>\$ 1,730,019</u>	<u>\$ 1,693,083</u>
Change in Net Assets	\$ 117,337	\$ 28,656
Net Assets Beginning of Year	976,765	948,109
Net Assets End of Year	<u><u>\$ 1,094,102</u></u>	<u><u>\$ 976,765</u></u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Services			Linn/Clinton Gambling	Total Program Services	Total Administrative Services	Total
	Treatment	NE IA Gambling	Prevention				
Salaries	\$ 706,105	\$ 121,395	\$ 27,857	\$ 69,733	\$ 925,090	\$ 108,810	\$ 1,033,900
Benefits & taxes	191,155	26,176	5,333	13,676	236,340	23,461	259,801
Total Salaries & Related Expenses	\$ 897,260	\$ 147,571	\$ 33,190	\$ 83,409	\$ 1,161,430	\$ 132,271	\$ 1,293,701
Rent	78,517	12,561	1,282	14,177	106,537	6,624	113,161
Supplies & printing	20,502	3,918	103	2,344	26,867	557	27,424
Insurance	6,579	1,111	150	800	8,640	3,028	11,668
Postage	1,883	284	29	248	2,444	212	2,656
Dues & subscriptions	154	-0-	-0-	-0-	154	4,736	4,890
Business travel	2,217	12,668	255	2,439	17,579	6,270	23,849
Conferences & travel	6,778	2,700	123	1,473	11,074	1,789	12,863
Contract services	51,069	5,129	538	4,914	61,650	19,892	81,542
Telephone & Internet	13,224	2,973	181	3,472	19,850	1,716	21,566
Advertising & promotion	1,609	13,947	20	3,062	18,638	895	19,533
Small equipment & repair	4,448	2,525	50	459	7,482	744	8,226
Bad debts	2,020	32	-0-	-0-	2,052	-0-	2,052
Utilities	2,405	382	38	259	3,084	200	3,284
Access to Recovery expenses	33,882	5,110	-0-	2,624	41,616	-0-	41,616
Depreciation	-0-	-0-	-0-	-0-	-0-	35,953	35,953
Interest	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Miscellaneous	13,987	1,139	218	282	15,626	10,409	26,035
Total Expenses	<u>\$ 1,136,534</u>	<u>\$ 212,050</u>	<u>\$ 36,177</u>	<u>\$ 119,962</u>	<u>\$ 1,504,723</u>	<u>\$ 225,296</u>	<u>\$ 1,730,019</u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Program Services			Linn/Clinnton Gambling	Total Program Services	Total Administrative Services	Total
	Treatment	NE IA Gambling	Prevention				
Salaries	\$ 692,628	\$ 103,322	\$ 35,505	\$ 78,180	\$ 909,635	\$ 105,133	\$ 1,014,768
Benefits & taxes	207,675	23,711	6,714	13,265	251,365	23,163	274,528
Total Salaries & Related Expenses	\$ 900,303	\$ 127,033	\$ 42,219	\$ 91,445	\$ 1,161,000	\$ 128,296	\$ 1,289,296
Rent	74,119	13,442	1,175	16,860	105,596	6,563	112,159
Supplies & printing	25,163	1,517	175	1,898	28,753	2,635	31,388
Insurance	6,428	973	178	743	8,322	531	8,853
Postage	1,778	272	48	257	2,355	152	2,507
Dues & subscriptions	139	-0-	-0-	-0-	139	4,373	4,512
Business travel	4,793	11,150	602	11,576	28,121	8,549	36,670
Conferences & travel	6,651	2,077	224	1,714	10,666	1,895	12,561
Contract services	37,497	3,899	478	3,530	45,404	30,212	75,616
Telephone	13,012	2,667	499	4,014	20,192	1,471	21,663
Advertising	2,326	171	23	298	2,818	90	2,908
Small equipment & repair	3,901	633	76	1,708	6,318	1,230	7,548
Bad debts	2,390	-0-	-0-	-0-	2,390	-0-	2,390
Utilities	2,594	417	55	344	3,410	218	3,628
Access to Recovery Expenses	13,565	-0-	-0-	-0-	13,565	-0-	13,565
Depreciation	-0-	-0-	-0-	-0-	-0-	34,118	34,118
Interest	-0-	-0-	-0-	-0-	-0-	2,072	2,072
Miscellaneous	13,982	839	220	2,103	17,144	14,485	31,629
Total Expenses	<u>\$ 1,108,641</u>	<u>\$ 165,090</u>	<u>\$ 45,972</u>	<u>\$ 136,490</u>	<u>\$ 1,456,193</u>	<u>\$ 236,890</u>	<u>\$ 1,693,083</u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Cash Flows From Operating Activities:		
Cash received from patient fees	\$ 478,999	\$ 427,350
Cash received from grants	1,316,867	1,332,792
Cash received from others	708	4,075
Interest received	1,956	4,192
Cash paid to employees and suppliers	<u>(1,659,935)</u>	<u>(1,661,964)</u>
Net Cash Provided By Operating Activities	\$ 138,595	\$ 106,445
Cash Flows From Investing Activities:		
Redemption (Purchase) of Certificate of Deposit	\$ (100,000)	\$ 45,709
Purchase of leasehold improvements	(1,735)	(12,635)
Purchases of property and equipment	<u>(19,707)</u>	<u>(3,035)</u>
Net Cash Provided (Used) From Investing Activities	\$ (121,442)	\$ 30,039
Cash Flows From Financing Activities:		
Reduction of bank debt	<u>\$ -0-</u>	<u>(134,567)</u>
Net Increase (Decrease) in Cash and Equivalents	\$ 17,153	\$ 1,917
Cash and Equivalents at Beginning of Year	<u>570,806</u>	<u>568,889</u>
Cash and Equivalents at End of Year	<u>\$ 587,959</u>	<u>\$ 570,806</u>

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011
(CONTINUED)

Reconciliation of Changes in Net Assets to Net Cash
from Operating Activities

	2012	2011
Changes in Net Assets	\$ 117,337	\$ 28,656
Adjustments:		
Depreciation	\$ 35,953	\$ 34,118
Interest income reinvested	(359)	-0-
Changes in Assets and Liabilities:		
(Increase) Decrease in patient accounts receivable	(2,925)	794
(Increase) Decrease in grants receivable	(45,542)	45,876
(Increase) Decrease in prepaid expenses	(2,149)	2,408
Increase (Decrease) in accounts payable	30,855	(6,230)
Increase (Decrease) in accrued salaries	390	1,363
Increase (Decrease) in accrued expenses	5,035	(540)
Net Adjustments	\$ 21,258	\$ 77,789
Net cash Provided By Operating Activities	\$ 138,595	\$ 106,445
Non Cash Investing and Financing Activities:		
Interest earned added directly to		
Certificates of Deposit	\$ 359	\$ -0-
Interest paid	\$ -0-	\$ 2,072

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

(1) Summary of Significant Accounting Policies

The accounting and financial reporting policies of Substance Abuse Services Center conform with U.S. generally accepted accounting principles. The following is a description of significant accounting policies.

Reporting Entity

Substance Abuse Services Center is an Iowa corporation qualifying for exemption from income tax under Section 501 (c) (3) of the Internal Revenue Code.

The Center was originally organized as the Tri-County Citizen's Committee on Alcoholism and Drug Abuse to alleviate the damage of alcoholism and drug abuse, and to reduce the incidents of alcoholism and drug abuse in Dubuque and Delaware Counties.

The Center's mission statement reads as follows:

The mission of Substance Abuse Services Center is to provide quality counseling, education, and support services to address alcohol, drug, and gambling concerns while promoting physical and mental wellness.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(CONTINUED)

(1) Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Substance Abuse Services Center considers all short-term instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2012 and 2011.

Receivables

Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on the average historical uncollected balance.

Allowance for Doubtful Accounts

An allowance for third party and client receivables is estimated based on the 5 year actual write-off percentage of recorded revenues. The total allowance for June 30, 2012 and 2011 was \$8,405 and \$6,135 respectively.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment is stated at cost. Depreciation is computed by the straight-line and accelerated methods over the estimated useful lives of 3-15 years.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(CONTINUED)

(1) Summary of Significant Accounting Policies (Continued)

Compensated Absences

The Center's employees can accumulate a limited amount of earned but unused vacation and sick day benefits. Sick leave is expensed as incurred with no compensation paid for accumulated days upon termination. Amounts for accumulated vacation time have been recorded as liabilities based on current effective rates of pay and are payable upon termination.

Net Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense for the years ended June 30, 2012 and 2011 was \$5,997 and \$2,908 respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

All contributions are recorded as the promise to give is received and are considered to be available for unrestricted use unless specifically restricted by the donor.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011 (CONTINUED)

(2) Property and Equipment

A summary of changes in property and equipment is as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Leasehold Improvements	\$ 324,594	\$ 1,735	\$ -0-	\$ 326,329
Office Equipment	165,740	19,707	-0-	185,447
Total	<u>\$ 490,334</u>	<u>\$ 21,442</u>	<u>\$ -0-</u>	<u>\$ 511,776</u>

Depreciation expense for the years ended June 30, 2012 and 2011 was \$35,953 and \$34,118 respectively.

(3) Retirement Plan

The Center's Board of Directors have approved a retirement plan for the benefit of the Center's employees. The plan calls for the Center to make matching contributions of 50% of each employee's contributions to his/her individual tax sheltered annuity account up to a maximum of 3% of the employee's gross compensation. The Center made contributions totaling \$20,693 and \$16,306 relating to the matching of employee contributions for the years ended June 30, 2012 and 2011 respectively.

(4) Lease Agreements

Substance Abuse Services Center has entered into a lease agreement with Banner Investments, Dubuque, Iowa for the rental of 8,266 square feet of office space in the Nesler Center. The lease is for five years commencing on July 1, 2009 and ending on June 30, 2014. There was an addendum to the lease for an additional 1,600 square feet of office space effective on July 1, 2009 and ending on June 30, 2014. The monthly lease payment for these two parcels is \$6,577.34.

Substance Abuse Services Center has agreed to an addendum to the original lease with Banner Investments for the rental of 339 square feet of office space and 1,152 square feet of storage space. The lease is for five years commencing on July 1, 2009 and ending on June 30, 2014. The monthly lease payments are \$166.68 and \$192.00 respectively. All leases have 3 five year renewal options with rent increases of 5% at each renewal period.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 AND 2011 (CONTINUED)

(4) Lease Agreements (Continued)

Substance Abuse Services Center has entered into a lease agreement with Property Partners LLC, Keokuk, Iowa for the rental of office space in Manchester. The lease was negotiated for five years commencing September 1, 2011 and ending August 31, 2016 with a monthly lease payment of \$1,968.24. The lease has a five-year renewal option with rent increases based on the consumer price index not to exceed 12%. Substance Abuse Services Center shall also reimburse the lessor for 26.4% of the utilities.

Substance Abuse Services Center entered into a lease agreement with BRB Investments for 442 sq. ft. of office space in Cedar Rapids, Iowa. The lease term is one year commencing on July 1, 2011. The monthly lease payment is \$495. Commencing July 1, 2012 the Center will lease additional space for an additional cost of \$680 per month. The lease will expire 6-30-13 and is renewable.

Rental expense for the years ended June 30, 2012 and 2011 was \$113,160 and \$112,159 respectively.

A summary of minimum operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Manchester</u>	<u>Dubuque</u>	<u>Cedar Rapids</u>	<u>Total</u>
2013	\$ 23,619	\$ 83,232	\$ 14,100	\$ 120,951
2014	23,619	83,232	-0-	106,851
2015	23,619	-0-	-0-	23,619
2016	23,619	-0-	-0-	23,619
2017	3,937	-0-	-0-	3,937
	<u>\$ 98,413</u>	<u>\$166,464</u>	<u>\$ 14,100</u>	<u>\$ 278,977</u>

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(CONTINUED)

(5) Grants Receivable

Grants Receivable at June 30, 2012 and 2011 are composed of the following:

	<u>2012</u>	<u>2011</u>
Iowa Department of Correctional Services	\$ 3,833	\$ 1,935
Iowa Department of Correction Services - Drug Court	8,450	4,083
United States Probation Office	1,578	1,197
Iowa Department of Public Health - Gambling Treatment N.E. Iowa	54,422	32,722
Iowa Department of Public Health - Access to Recovery	9,866	9,350
Iowa Department of Public Health - Gambling Treatment - Linn Co.	43,974	31,087
Dubuque Community Schools	-0-	200
Dubuque United Way	3,993	-0-
	<u>\$ 126,116</u>	<u>\$ 80,574</u>

(6) Board Designated Net Assets

Board Designated net assets at June 30, 2012 and 2011 include the following:

SUTA Claims Account	<u>\$ 39,536</u>	<u>\$ 38,352</u>
---------------------	------------------	------------------

(7) Center Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(CONTINUED)

(8) Economic Dependence

The Center has entered into a contract agreement for managed care services with Magellan Behavioral Health, Inc. Managed care revenue represents 42.12% and 44.40% of total revenue for the years ended June 30, 2012 and 2011 respectively.

(9) Subsequent Events

Subsequent events have been evaluated through September 14, 2012 which is the date the financial statements were available to be issued.

SUBSTANCE ABUSE SERVICES CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Schedule I

<u>Grantor/Program</u>	<u>Contract Number</u>	<u>CFDA Number</u>	<u>Contract Program Expenditures</u>
Direct:			
United States Probation Office Probation Services Contract	BPA 0862 2010.033	N/A	\$ <u>4,941</u>
Indirect:			
United States Department of Health and Human Services:			
Iowa Department of Public Health:			
Division of Substance Abuse:			
Magellan Behavioral Health, Inc.			
Alcohol and Drug Abuse and			
Mental Health Block Grant -			
Managed Care		93959	\$ 279,159
Division of Behavioral Health		93275	<u>79,258</u>
Total Indirect			<u>\$ 358,417</u>
Total			<u><u>\$ 363,358</u></u>

Independent Auditors' Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Directors
Substance Abuse Services Center

We have audited the financial statements of Substance Abuse Services Center, Dubuque, Iowa, (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 14, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Substance Abuse Services Center, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Substance Abuse Services Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Substance Abuse Services Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Substance Abuse Services Center's internal control over financial reporting.

A **deficiency in internal control** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A **material weakness** is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Substance Abuse Services Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under **Government Auditing Standards**.

This report is intended solely for the information and use of Management, the Board of Directors, others within the entity, and federal awarded agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

JIM KIRCHER & ASSOCIATES, P.C.

A handwritten signature in cursive script that reads "jim kircher & associates, P.C.".

Dubuque, Iowa
September 14, 2012